

not forbidden to those institutions where such

would have been most salutary—the banks whose circulation was covered by securities or rested upon the guarantee of the canton.¹ Hence the character of the assets in respect to ready convertibility grew steadily worse. From 1883 to 1900 commercial discounts of the Swiss banks increased only from 176,000,000 to 181,000,000 francs, while holdings of securities increased from 219,000,000 to 615,000,000 francs.³

Efforts to promote the free interchange of notes had begun as early as 1876, when a concordat was signed by twenty-one banks, by which they received each other's notes at par and acted as mutual collecting agents. A central clearing bureau was established at Zurich, which at first handled a large volume of business, but soon fell into decadence.³ The law of 1881 was followed by a new series of agreements, which again worked well for a few years, only to again fall into disuse. The difficulty of the situation lay largely in the competition among the banks for business, which led the small banks to bid for paper which the large banks had rejected, and to wide variations in rates of discount, which prevented any intelligent control over exchange. So serious did these evils become that a new agreement was entered into by twenty-eight banks on June 3, 1893, "with the end of protecting the metallic reserves of the country." Under this agreement authority was given to a committee representing five leading banks to fix a uniform rate of discount, below which none of the contracting banks should discount paper having less than ten days to run.⁴

Even with the best of spirit on the part of the banks of issue, they could make head with difficulty against the

¹ Bouchmil, 48. In 1885 only six banks based their issues on commercial securities. They represented a circulation of 35,000,000 francs out of a total of about 135,000,000.

⁹ *Ibid.*, in. At the close of 1907 the figures were respectively 260,100,000 and 931,281,000 francs.—Confrole des Billets de Banque, 1907, Tab. III.

³ Bouchmil, 33.

⁴ *Ibid.*, 130.